



**STATEMENT RELATED TO
SBA ENTREPRENEURIAL DEVELOPMENT PROGRAMS AND
THE ROLE OF WOMEN'S BUSINESS CENTERS
IN AN ECONOMIC RECOVERY**

**SUBMITTED TO THE
U.S.HOUSE COMMITTEE ON SMALL BUSINESS
ON FEBRUARY 11, 2009**

To the Honorable Nydia M. Velázquez, Chair, the Honorable Sam Graves, Ranking Member and the members of the House Committee on Small Business:

The Association of Women's Business Centers is pleased to participate in the Committee's hearing on "The State of SBA's Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery."

As the Committee members are well aware, the Women's Business Center program has been an important part of the SBA's entrepreneurial development assistance efforts since its establishment in 1989, after the passage of H.R. 5050, The Women's Business Ownership Act of 1988. The program has grown from 4 "demonstration sites" in its first year to 113 SBA-funded Women's Business Centers (WBCs) in FY2009.

The Association of Women's Business Centers (AWBC) is a national not-for-profit organization representing women's business centers and the women and men they serve. The AWBC was founded in 1998 to support entrepreneurial development among women as a way to achieve self-sufficiency, to create wealth and to expand participation in community economic development through education, training, counseling, technical assistance, mentoring, development and financing opportunities. Our *vision* is a world where economic justice, wealth and well-being are realized through the collective leadership and power of successful entrepreneurial women. Our *mission* is to develop and strengthen the network of women's business centers (WBCs) to advance the growth and success of women business owners. We do so by building the capacity of women's business centers, developing public and private resources to support member centers, and by advocating and promoting women's business development nationally and internationally.

Our testimony today will center on these three main points:

1. **Recognition of the significant improvements in the underpinnings of the WBC program:** our “graduation” from a “demonstration” program to an integral part of SBA’s entrepreneurial development assistance to the nation’s 26.8 million small businesses¹ and to the untold millions who wish to start their own enterprises, and our improved working relationship with the SBA;
2. **The need to both plan for the future and to focus on improving current challenges to operational efficiency:** the need for a more strategic approach to funding, to developing quality marks for service delivery and innovation, and to continuing to improve compliance and paperwork issues; and
3. **The current economic crisis and the role of WBCs in an economic recovery:** how WBCs have led in innovation, client trends we are seeing, and our recommendations for action.

Here is a more detailed discussion and our recommendations for action in each of these three important issue areas:

1. Recognition of the significant improvements in the underpinnings of the WBC program

We are grateful for the wisdom and support of leaders in the House and the Senate for the passage of our permanent funding amendment in 2007. WBCs have a remarkable record of achievement over the past 20 years, including impressive results in recent years as the program has come into its own. WBCs across the country currently provide entrepreneurial training, technical assistance and counseling to over 150,000 clients annually, including a significant number that are socially and economically disadvantaged or who live in economically distressed communities. In addition, research from the National Women’s Business Council found, looking at business revenue growth alone, that there has been an extraordinary 14 to 1 return on the annual \$13.5 million investment in the WBC program.²

Now that WBC leaders no longer have to worry about the very existence of their centers on an annual basis, they can concentrate on better serving their clients and growing their programs. In the words of our members, the new three-year renewable funding arrangement has given WBC leaders the ability to:

- *Concentrate on clients and not worry about money*
- *Plan for and seek out more external collaborators*
- *Seek longer term funding from other sources*
- *Offer enhanced client services*
- *Give needed focus and attention to strategic long-term planning*
- *Have some hope for the future of organization: “Our whole strategic plan is now different”*

¹ As of 2006, according to the US Small Business Administration’s Office of Advocacy:

<http://www.sba.gov/advo/research/data.html>

² See NWBC, *Analyzing the Impact of the Women’s Business Center Program*, published September 2004.

<http://www.nwbc.gov/ResearchPublications/listReports.html>

In tandem with this advancement in program operations has been a significant improvement in our relationship with the SBA, in particular with the Office of Women's Business Ownership. We are now working on issues as partners, and continue to address – in a much more communicative, and much less adversarial, manner – the ongoing management of the program. We fully expect that relationship to continue in that manner, and perhaps improve even more, after new political appointees are put in place in the SBA.

2. Planning for the future and focusing on improving current operational challenges

We look forward to establishing these new relationships soon, because we not only wish to start planning for future program improvements, but deal with some of the current challenges that remain.

For example, the demand for our services continues to outpace our supply. WBC leaders and staff continue to have a difficult time fulfilling the growing demands of their clients in the face of significant cuts in the per-center program budget. Annual allocations have fallen from an average of \$150,000 per year per center to between \$80,000 and \$100,000 per center. There has not been consistency in the way funding allocations have been made to WBCs, nor has there been sufficient transparency. We believe the **awards should be made public**, and we recommend that **the per center funding level should average \$150,000, which would total \$17,100,000 for 114 WBC's.**

Secondly, while there has been some significant improvement in the speed with which grant monies are disbursed, the paperwork burden remains exceedingly high – especially when compared with other Federal, state and local procurement procedures that WBCs follow – and the program grant disbursements are not always made in a timely manner. In recent years many WBCs have waited months before they receive the funds for the services that they were delivering throughout the course of the year. While significant process improvement has been implemented with an automated system of draw downs, continuous evaluation of the new process needs to be in place.

The call for improvements in the paperwork and payments process rings loudly across metropolitan, urban and rural areas. Our WBC leaders are crying out for:

- *Quicker responses, and not receiving repeat requests for information that has already been sent*
- *Better communication about all matters*
- *Hold a one day regional conference for reimbursement personnel*
- *Receiving notices of program changes in advance*
- *Monthly payments vs. quarterly for cash flow purposes*
- *Have the DOTR handle the match certifications so that WBCs do not have to submit a large volume of paperwork*
- *Overall, things have improved with respect to a quicker turn around time, but there is still room for improvement*

With respect to planning for the future, that has been stymied in the past, not only because our continued existence hung in the balance from year to year, but because of the lack of clear and consistent performance goals and a way to assess and evaluate outcomes.

We are thankful that our legislation now includes a means by which program performance can be evaluated, and that WBCs are now eligible for continued funding subject to performance review. We know that when our program performance is measured against any other enterprise assistance program, we will meet or exceed any performance measures. Indeed, the SBA's own client-based performance reviews have shown our clients to be just as satisfied or in some cases more satisfied with the services they have received compared to the SBA's other entrepreneurial development efforts.³

Our members agree that evaluation of performance is the cornerstone for continued improvement of client services as well as for future growth in additional areas. Therefore, WBC leaders are requesting clearer information and transparency in the performance evaluations:

- *We need transparency of how milestones & benchmarks are set*
- *Benchmarks must be set according to demographics for your center – not comparing us to other centers' demographics*
- *Explain funding levels and criteria for next level*
- *Clarify definitions of performance goals*
- *The performance criteria needs to be TRANSPARENT at all levels for all WBCs*
- *OWBO needs to establish an appeals process for grievances; as well as there is a need for greater advocacy by the AWBC for these types of matters.*

The AWBC feels that a system to evaluate, improve and certify women's business centers should be developed. Such a system should also include training for new and for underperforming WBCs, benchmarking and sharing of best practices and modeling for the WBC program. Continued funding for WBCs would then be based on merit and performance, with clear and consistent means of evaluation in place. **We recommend the development of a certification model, which would be piloted at two or three WBCs before being launched nationwide. We estimate that such a program would require an additional appropriation of \$500,000.**

3. The current economic crisis and the role of WBCs in an economic recovery

There is no question that, aside and apart from streamlining program efficiency and improving the future operations of the WBC program, it is critically important that we all address the economic crisis that confronts us today.

Historically, small business creation runs in a counter-cyclical fashion to overall national economic health: when the economy is running well at "full employment" fewer people are thinking of starting their own business, but when economic conditions deteriorate and layoffs increase, people start their own businesses in increasing numbers.

Women's business centers are in the front lines of this situation; our members are seeing more and more women and men coming through our doors who have been "downsized", "pink-slipped" or who are under-employed and looking for a way to put their economic futures in their

³ See the evaluation studies performed and submitted to the SBA by Concentrance Consulting Group.

own hands. WBC leaders are also reporting a greater degree of desperation among their new clients. We are ready, willing, able and are ALREADY serving as a source of information, inspiration and comfort to these clients.

Here are just a few of the strategies we are employing to meet the changing needs of our clients:

- Providing more office space and support:
 - incubator offices and day-to-day workspaces
 - clerical/telephone support
 - meeting room and conference room space
- Providing more skills-specific education in response to increased demand:
 - software packages
 - financial and business plan preparation
- Responding to increased interest in peer support group gatherings
- Offering such new classes as:
 - how to recession-proof your business
 - marketing on a shoe-string
 - approaches to alliance-building
- Providing more online and mall-based marketplace and B2B opportunities for clients, to help them sell their products and services

Where we see the **key challenge at the present time is increasing the flow of capital to our clients** – not just those seeking to start a business but especially to our existing clients who are already in business. Capital has dried up for these clients, and they are suffering.

As the members of the Committee are well aware, over the past eight years the SBA has attempted to change the intent of its financial assistance programs by eliminating the subsidy of the program, which has led to increased interest rates and decreased participation rates by banks. In many cases, SBA guaranteed lending is no longer available to the types of businesses that need it the most. The current economic environment has exacerbated this problem: the SBA itself has reported a 27% decline in the number of loans they made between FY2007 and FY2008, including a 26% decline in the amount of lending to women-owned firms. In terms of dollar value, just 15% of dollars lent or guaranteed by the SBA went to women-owned firms – despite the fact that nearly one-third of all businesses are majority-owned by women.⁴

Our WBCs report a much harder time with our direct lending portfolios and with the ability to successfully refer our clients to lenders, especially SBA lenders. We feel that it is in times like these, rather than when times are good and everyone is lending, when we should be seeing growth in SBA-backed lending.

Our recommendation: ensure that SBA lending and loan guarantee programs do what they are intended to do: to step in and step up when the hesitancy of banks increase, as it is now. Areas of particular need are in the small office/home office (SOHO) market, in microlending, and in the angel capital markets.

⁴ See the NWBC Issue in Brief, *Trends in SBA-Backed Financing to Women-Owned Businesses, FY2004 to FY2008*. <http://www.nwbc.gov/ResearchPublications/documents/Issue%20brief%20-%20SBA%20Loans.1108new.pdf>

We thank the members of the House Committee on Small Business for your long-standing support of the Women's Business Center program, and for your efforts to support women's enterprise development in general, such as your support for the National Women's Business Council and for increasing access to Federal procurement opportunities to women-owned firms.

We look forward to continuing to work with you and all of the members of the Committee to increase the economic and social contributions of this nation's estimated 10.1 million women-owned enterprises,⁵ and to the countless others that are on the drawing board, awaiting support and assistance from Women's Business Centers to move launch and grow their businesses.

Respectfully submitted for the record

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⁵ 2008 estimate from the Center for Women's Business Research.
<http://www.womensbusinessresearch.org/facts/index.php>